



**ARKANSAS INSURANCE DEPARTMENT
LEGAL DIVISION**

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RULE AND REGULATION 12

Several questions have arisen regarding the interpretation and implementation of Rule and Regulation 12, which became effective November 1, 1986.

1. §14.1—The 40% compensation maximum applies to all *producing agents*, their affiliates, associates, subsidiaries, directors, officers, employees, relatives or other representatives. Field representatives, who are licensed individual agents, and who produce no direct business and are not related in any manner to a producing agent or institution may be paid a fee, even though such fee when added to a producing agent's compensation would result in a percentage of more than 40% of the maximum premium allowed to be charged.
2. §14.2(b)—“Token” gifts are not prohibited by this section. “Tokens” will, however be closely scrutinized and subjected to a test of reasonableness. The aggregate value of any “tokens” given to an agent or institution in any calendar year will be considered.
3. §14.2(c)—Written contractual agreements between insurers and producing agents or institutions for the payment of experience refunds may be honored until their natural expiration or until 10-31-87, whichever is earlier.
4. §20—Rates charged under existing group credit life or disability contracts may be pursuant to Sections 4,5& 6 of this regulation or may comply with Section 4,5, & 6 of the replaced Rule & Regulation 12, until their expiration. All companies desiring to utilize the rating sections of the replaced regulation must immediately submit actuarial data evidencing that the prima facie rate has and will continue to produce a 50% loss ratio, or immediately file a new rate which will achieve a 50% loss ratio.

Robert M. Eubanks, III
INSURANCE COMMISSIONER